



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

September 12, 2007

H.R. 2895

National Affordable Housing Trust Fund Act of 2007

As ordered reported by the House Committee on Financial Services on July 31, 2007

SUMMARY

H.R. 2895 would establish a National Affordable Housing Trust Fund for the Department of Housing and Urban Development (HUD) to provide assistance to state and local governments and Indian tribes. Such assistance would include grants, loans, and interest rate buy-downs that would be used to construct, rehabilitate, and preserve affordable housing for low-income families. Budgetary resources for the new trust fund would be provided by other legislation. (Potential spending from the new trust fund could be triggered by either H.R. 2895 or other pending legislation, depending on the order in which such multiple bills are enacted.) This bill also would prohibit the Federal Housing Administration (FHA) from increasing fees for certain loan guarantees.

CBO estimates that implementing H.R. 2895 would result in a loss of \$192 million in discretionary offsetting collections over the next five years stemming from the prohibition of fee increases for certain FHA guarantees. Because enacting H.R. 2895 by itself would result in no transfers, deposits, or appropriations to the proposed trust fund, CBO estimates that enacting the bill would not affect direct spending or revenues (unless other legislation providing resources for that fund is enacted first).

H.R. 2895 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 2895 is shown in the following table. The cost of this legislation falls within budget function 370 (mortgage and housing credit).

TABLE 1. ESTIMATED EFFECTS OF H.R. 2895 ON SPENDING SUBJECT TO APPROPRIATION

	By Fiscal Year, in Millions of Dollars					
	2007	2008	2009	2010	2011	2012
SPENDING SUBJECT TO APPROPRIATION						
FHA Spending Under Current Law ^a						
Estimated Authorization Level	-165	-250	-273	-273	-273	-273
Estimated Outlays	-165	-250	-273	-273	-273	-273
Proposed Changes:						
Limit on Premium Increases for Mortgage Insurance						
Estimated Authorization Level	0	20	43	43	43	43
Estimated Outlays	0	20	43	43	43	43
Net Spending Under H.R. 2895						
Estimated Authorization Level	-165	-230	-230	-230	-230	-230
Estimated Outlays	-165	-230	-230	-230	-230	-230

a. The figures for 2007 are CBO's current estimates of budget authority and outlays for FHA's multifamily program. The 2008-2012 levels are CBO's baseline estimates of the offsetting collections that would be generated by the multifamily program, assuming that appropriation laws necessary to implement the current FHA multifamily program are enacted.

BASIS OF ESTIMATE

For this estimate, CBO assumes that H.R. 2895 will be enacted near the start of fiscal year 2008, and that the appropriation laws consistent with this bill and necessary to implement FHA's multifamily program will be enacted each year.

CBO estimates that implementing H.R. 2895 would result in a decrease in offsetting collections of \$20 million in 2008 and \$192 million over the 2008-2012 period, assuming appropriation action consistent with the bill. Currently, FHA has the authority to adjust fees for its mortgage insurance programs through administrative action. Under section 292 of H.R. 2895, FHA would be prohibited from increasing fees unless the increase is required to maintain the estimated credit subsidy for the program at zero, but not less than zero.

According to the Administration, annual fees for new loan guarantees for the apartment development and refinance programs will increase—under current law—by about 16 basis points beginning in 2008. The weighted average subsidy rate for these programs is currently about -2 percent. CBO estimates that those fee increases would affect about \$2.6 billion in loan guarantees in 2008 and over \$3 billion in loan guarantees annually in subsequent years. Furthermore, we estimate that those fee increases would increase offsetting collections for

this program by \$192 million over the 2008-2012 period. Thus, prohibiting those fee increases would result in a loss—relative to the current-law baseline—of \$192 million in discretionary offsetting collections over the next five years.

Funding for the trust fund proposed by H.R. 2895 would consist of:

- Any amounts transferred from the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac) under Title XIII of the Housing and Community Development Act (as that title may be amended by H.R. 1427, the Federal Housing Finance Reform Act of 2007);
- Any amounts appropriated to an affordable trust fund under the Expanding American Homeownership Act of 2007 (H.R. 1852); and
- Any amounts that may be appropriated, transferred, or credited to the trust fund under other provisions of law.

This legislation would provide spending authority for amounts in the trust fund to meet affordable housing needs. At the present time, however, no authority exists in current law to transfer or appropriate funds to the proposed trust fund. Legislation authorizing any sources of funding for the trust fund has not been enacted into law. Any effect on direct spending resulting from this legislation would be contingent on the enactment of subsequent legislation providing funding for the trust fund. (Any such potential change in spending would be charged to the legislation that triggers it.)

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 2895 contains no intergovernmental or private-sector mandates as defined in UMRA. The bill would authorize grants to support affordable housing programs, which would benefit state, local, and tribal governments.

PREVIOUS CBO ESTIMATES

On April 23, 2007, CBO transmitted a cost estimate for H.R. 1427, the Federal Housing Finance Reform Act of 2007, as ordered reported by the House Financial Services Committee on Financial Services on March 29, 2007, and on June 11, 2007, CBO transmitted a cost estimate for H.R. 1852, the Expanding American Homeownership Act of 2007, as ordered reported by the House Committee on Financial Services on May 3, 2007. H.R. 1427 would require Fannie Mae and Freddie Mae to contribute funding to an affordable housing

fund based on the value of their mortgage portfolios, and H.R. 1852 would authorize appropriations for an affordable housing fund. Both of those bills also would authorize spending on affordable housing. Under H.R. 2895, deposits for the National Affordable Housing Trust Fund would consist of amounts made available for affordable housing under H.R. 1427 and H.R. 1852, and any other amounts that may be made available to the trust fund under other provisions of law.

In addition, both H.R. 1852 and H.R. 2895 include an identical provision that would prohibit FHA from increasing fees for certain loan guarantees. Thus, the estimates for this provision are identical.

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